

# Transit-Oriented Development and Affordable Housing in Prince George's County:

## *A Case Study-Based Approach*

Prepared by Jerah A. Smith, Master of Community Planning Candidate

Under the supervision of Dr. Casey Dawkins & Uri Avin, FAICP

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Gerrit Knaap, NCSG Executive Director  
Uri Avin, PALS Director

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## 1. Executive Summary

Prince George's County is eager to activate and capitalize on some of its greatest assets, i.e. its Metro stations, by attracting dense transit-oriented development projects to the county. However, this poses a serious risk of displacement to many of the station areas' existing residents and has the potential to limit accessibility for potential future low-to-moderate income households by virtue of prohibitively high housing costs. While *Plan 2035* prominently features calls for dense, mixed-income communities around transit, the county currently appears to lack the market, regulatory measures, political interest or funding to ensure that this comes to fruition.

- Prince George's housing development market, including around its Metro stations, lags behind its neighbors, due at least in part to a perception among developers that the county is comparatively hostile to new development. To rectify this imbalance, county officials wish to improve the county's reputation as a more development-friendly place to build.
- Housing market pressures generally do not provide for new affordable housing, thus requiring government intervention and subsidization to ensure their existence as a meaningful share of the housing stock.
- Market-rate developers often see affordable housing requirements as a procedural burden and a limitation on their profit margins, which conceivably opposes Prince George's County's goal to improve the county's reputation as a good place to build.
- There is a feeling among many county officials that Prince George's County already has the region's fair share of affordable housing opportunities, thereby reducing the sense of urgency and political interest in preserving and promoting affordable housing development.

- Prince George's County officials are particularly eager to cultivate market-rate housing and commercial development to expand the county's tax base. Given its limited tax base and budget, the county lacks a dedicated revenue source for affordable housing preservation and development.
- As a result, affordable housing preservation and development initiatives are currently under-prioritized and underfunded despite the looming threat of displacement often associated with TODs.

Bearing in mind the multifaceted challenges that Prince George's County currently faces in attracting development, let alone addressing the issue of affordable housing around TODs, this study proposes a temporal three-phased metrics-based plan intended to help reconcile these potentially conflicting goals. A variety of affordable housing mechanisms were examined for utilization around Prince George's County as a whole, as well as place-based initiatives that could be applied specifically to the county's Metro stations. The first phase includes the most developer-friendly and revenue-neutral affordable housing initiatives to mutually address the county's goals of cultivating a better reputation among developers and promoting housing opportunities for lower income households in dense, transit-accessible areas. Each succeeding phase assumes an improved housing market, thus implying a more development-friendly environment while also providing the county with more funding and greater leverage for increasingly aggressive affordable housing measures. To demonstrate applicability, the phased initiatives were examined in relation to five of the county's Metro stations that have the greatest potential for growth and investment in the coming decades. Table 1 provides an overview of the three-phased implementation plan as applied to the five Metro stations examined in this study.

**Table 1: Three-Phased Affordable Housing Implementation Plan**

|                              |   | Phase 1   | Phase 2  | Phase 3   |
|------------------------------|---|---|--|---|
| <b>Largo Town Center</b>     | <i>Preservation Priorities</i>          | Prioritize preserving LIHTC and HUD-Insured (FHA) units   |  |   |
|                              | <i>Interim Land Use</i>                 | Unlikely to be a feasible tactic given the robust development market  |  |   |
|                              | <i>Linkage Fees &amp; Density Bonus</i> |   | Linkage fees could be utilized if the market develops as strongly as the county hopes. A voluntary bonus fee pilot program could be implemented if the area does not reach development capacity by the time the county reaches Phase 2 |   |
|                              | <i>Inclusionary Zoning</i>              |   |  | Area unlikely to have significant development capacity for AH by Phase 3  |
|                              | <i>Accessory Dwelling Units</i>         |   |  | Abundance of single-family homes (+72%) provides ample opportunity, but may be incongruous with desired density                         |
|                              | <i>WMATA Partnership</i>                |   |  | 26 acres or property, but partnership unlikely given value of property  |
| <b>Prince George's Plaza</b> | <i>Preservation Priorities</i>          | Preserving "naturally occurring" multifamily affordable rental units found north of Toledo Terrace  |  |   |
|                              | <i>Interim Land Use</i>                 | The parking lots and Mall at Prince George's already represent an interim use of sorts  |  |   |
|                              | <i>Linkage Fees &amp; Density Bonus</i> |   | Strength of the market and limited available developable land limit the effectiveness of this tactic until the mall area opens up for redevelopment, or SFD area is upzoned  |   |
|                              | <i>Inclusionary Zoning</i>              |   |  | Requires more developable land to be effective  |
|                              | <i>Accessory Dwelling Units</i>         |   |  | Abundance of SFD homes found south of the station   |
|                              | <i>WMATA Partnership</i>                |   |  | 72 acres or property, but partnership unlikely given value of property and history of market-rate joint development in the area         |
| <b>Branch Avenue</b>         | <i>Preservation Priorities</i>          | Low development pressure and 1,200+ LIHTC units indicated that preservation efforts should be prioritized elsewhere                                   |  |   |
|                              | <i>Interim Land Use</i>                 | Abundance of barren land and parking lots could be zoned for high-density with height minimums, possibly buying time for Phase 2 & 3 AH interventions |  |   |
|                              | <i>Linkage Fees &amp; Density Bonus</i> |   | Feasible if developable land remains as such until Phase 2 or 3  |   |
|                              | <i>Inclusionary Zoning</i>              |   |  | Feasible if pent up demand for high-density projects develops   |
|                              | <i>Accessory Dwelling Units</i>         |   |  | Low development pressure and 53% single-family HHs presents an opportunity  |
|                              | <i>WMATA Partnership</i>                |   |  | 30 acres already being discussed for joint development. Unlikely that AH is part of the discussion                                      |
| <b>Suitland</b>              | <i>Preservation Priorities</i>          | Special attention should be paid to the LMI households immediately adjacent to the Suitland Town Center project                                       |  |   |
|                              | <i>Interim Land Use</i>                 | Lack of developable residential land limits the effectiveness of this approach  |  |   |
|                              | <i>Linkage Fees &amp; Density Bonus</i> |   | Most of the developable residential property in the area is publicly owned, limiting the applicability of this approach. The majority of the remaining developable land is intended to remain commercial.                              |   |
|                              | <i>Inclusionary Zoning</i>              |   |  | Most of the current developable residential property is publicly owned, limiting the applicability.                                     |
|                              | <i>Accessory Dwelling Units</i>         |   |  | The unlikelihood of upzoning the single-family areas presents an opportunity for this approach  |
|                              | <i>WMATA Partnership</i>                |   |  | 16 acres of property, not much appears to be developable  |
| <b>Naylor Road</b>           | <i>Preservation Priorities</i>          | Could benefit from an Affordability Officer with greater capacity to enforce building codes   |  |   |
|                              | <i>Interim Land Use</i>                 | Upzoning to unreasonable densities could stave off development, but is incongruous with Plan 2035's Local Center designation                          |  |   |
|                              | <i>Linkage Fees &amp; Density Bonus</i> |   | Low development pressure and county's intention for less density limit the effectiveness of these approaches   |   |
|                              | <i>Inclusionary Zoning</i>              |   |  | Low density of Local Centers limits the effectiveness of this approach unless the minimum requirements for applicability are fairly low |
|                              | <i>Accessory Dwelling Units</i>         |   |  | Could be highly effective, especially considering the existing LMI homeowners who could benefit from additional income                  |
|                              | <i>WMATA Partnership</i>                |   |  | 10 acres of property, likely the county's best opportunity to form a partnership given the station's low development pressure           |

## 2. Introduction

In recent decades, transit-oriented development (TOD) has become ubiquitous within the planning field. Demand for TODs has been growing nationally (Curtis, Renne & Bertolini, 2009; APTA, 2014; Reconnecting America, n.d.), and the Washington, D.C. metropolitan area is no different. In fact, the Washington D.C. Economic Partnership predicts that over the next 15 years, 78% of all construction in the D.C. area will occur within a half-mile of Metro stations (WDCEP, 2015). Prince George's County seeks to take advantage of the economic and social benefits of this national and regional trend by promoting TODs around all 15 of its existing Metro stations. TODs provide a range of benefits for local governments, real estate developers, transit agencies, employers, residents and the environment but often raise property values, thereby adversely impacting the availability of affordable housing for low-to-moderate income (LMI) households.<sup>1</sup>

This study examines the market, policy and political barriers to integrating affordable housing around the county's Metro stations. Based on these barriers, there are several phased planning-based interventions that the county could implement to incentivize affordable housing around five priority TOD stations. The stations chosen are those that the County Executive's Office and the county planning staff anticipate will have a high level of new growth and investment in the coming years (NCSG Report 3, 2018, p.3). The stations examined in this study are:

- Branch Avenue (Green Line terminus)<sup>2</sup>
- Largo Town Center (Blue/Silver Line terminus)<sup>3</sup>

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<sup>1</sup> For the purposes of this study, low-to-moderate income (LMI) households are defined as those making less than 80% of the area median income (AMI). Thus, dwelling units are considered "affordable" if they can be purchased or rented by LMI households such that they are not "housing burdened" (Schwartz & Wilson, 2006), in which they must spend 30% or more of their income on housing.

<sup>2</sup> Branch Avenue is designated as a Regional Transit District (RTD) by Plan 2035 (2014) and one of five priority TODs by the Prince George's County Council (2018). The station is also one of two priority TODs in Prince George's County designated as such by the Maryland Department of Transportation (MDOT, n.d.).

<sup>3</sup> Largo Town Center is designated as a Priority Investment District (PID) and Regional Transit District by Plan 2035 (2014) and one of five priority TODs by the Prince George's County Council (2018). It is the only PID examined in this study.

- Naylor Road (Green Line station)<sup>4</sup>
- Prince George's Plaza (Green Line station)<sup>5</sup>
- Suitland (Green Line station)<sup>6</sup>

First, this study discusses the importance of having affordable units around Metro stations and why basic land economics makes this challenging. Second, this is put in context by providing an anecdotal overview of the TOD market and its effects in Washington D.C., discussing the potential implications for Prince George's County, and examining the county's housing development market. Third, the three-phased plan for interventions that the county could feasibly implement to help mitigate the displacing effects of TODs is outlined. Last, the interventions discussed in the phased plan are applied to the five targeted Metro stations, providing station-specific recommendations for promoting affordable housing given their market, housing and land use characteristics.

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<sup>4</sup> Naylor Road is designated as a Local Center by Plan 2035 (2014). It is the only Local Center examined in this study and is not among the Prince George's County Council's five priority TODs (2018). The station is also one of two priority TODs in Prince George's County designated as such by the Maryland Department of Transportation (MDOT, n.d.).

<sup>5</sup> Prince George's Plaza is designated as a Regional Transit District (RTD) by Plan 2035 (2014) and is one of five priority TODs by the Prince George's County Council (2018).

<sup>6</sup> Suitland is designated as a Regional Transit District (RTD) by Plan 2035 (2014) and is one of five priority TODs by the Prince George's County Council (2018).



### 3. Methodology

This study was conducted using a wide variety of data and information collection methods. Literature included scholarly articles, policy analyses, existing county general and sector plans and newspaper clips. The quantitative data for this study was largely collected and synthesized by the National Center for Smart Growth (NCSG) for reports intended for Enterprise Community Partners as they assist in developing Prince George's County's Comprehensive Housing Strategy. Generally speaking, the data describes the current housing stock, household characteristics, land use and property ownership. The study was supplemented with semi-structured key stakeholder interviews with a variety of Prince George's County officials that took place in April and May of 2018.<sup>7</sup> This comprehensive collection of information helped generate a clear understanding of the barriers that Prince George's County currently faces in preserving and developing affordable housing countywide and at Metro stations.

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<sup>7</sup> In order to obtain candid information, the identity of the interviewees was guaranteed to be kept confidential and thus, they will simply be listed as Interviewee 1, Interviewee 2, etc.

## 4. TODs and Affordable Housing Background

Transit-oriented developments offer a variety of benefits to those fortunate enough to live in or near them. First and foremost, living in a transit efficient location can be particularly economically advantageous. By living near and using a well-serviced transit node, the average American can expect to cut their transportation costs in half (Curtis, Renne & Bertolini, 2009, p.154). Furthermore, considering that many extremely low-income households (0 %-30% AMI) spend up two-thirds or more of their income on housing and transportation combined (Curtis, Renne & Bertolini, 2009, p.155), reducing the cost of one or both of those expenditures can provide these households with significantly more disposable income that could be used to invest in education, pay for a mortgage, purchase food and more. If a TOD is in fact mixed-income, there can be a demonstrable decrease in crime due to its ability to mitigate the negative externalities associated with concentrated poverty (Orfield, 1998). TODs have also been shown to help build social capital and engender public involvement (Curtis, Renne & Bertolini, 2009), which has a direct association with economic opportunity and the ability to increase a child's adulthood earnings (Leonhardt, 2013). The closer one lives to a transit node, the higher degree of access they have to employers, education and amenities (Dawkins & Moeckel, 2016). Employers often prefer to be located at TODs because they can help to reduce the labor market spatial mismatch. Moreover, many businesses found at TODs offer jobs more likely to be filled by lower-income prospective employees (Boarnet et al., 2017).

Additionally, living in TODs can help improve the residents' physical well-being. Given their inherent walkability and tendency to feature multimodal infrastructure, TODs offer residents the opportunity to engage more in active transportation than they would if they were living in a less dense location (Curtis, Renne & Bertolini, 2009; Jensen et al., 2017). Due to the well-established understanding that lower-income households tend to be less healthy (Kawachi & Kennedy, 1999), this feature is

particularly beneficial. All these advantages and more help broaden residents' general access to opportunity and improve their overall quality of life.

The challenge, of course, is ensuring that households across the economic spectrum have the opportunity to harness the positive externalities of TOD living. It is a well-understood economic principle that, generally speaking, land premiums increase as proximity to high-quality transit increases (O'Sullivan, 2012). The price of a household or land at a particular location will match the market's desire to live there. We also know that it is desirable to live near one's place of employment to reduce commuting cost (O'Sullivan, 2012). As shown in Figure 1,

Curtis, Renne & Bertolini (2009) observed that land premiums increase anywhere from 8%-30% on property located within a half-mile of a well-serviced transit node (p.243). Similarly, Cervero et al.'s (2004) literature review found that home sale premiums range from 6%-45%. Transit-accessible properties are also remarkably resilient. In a study

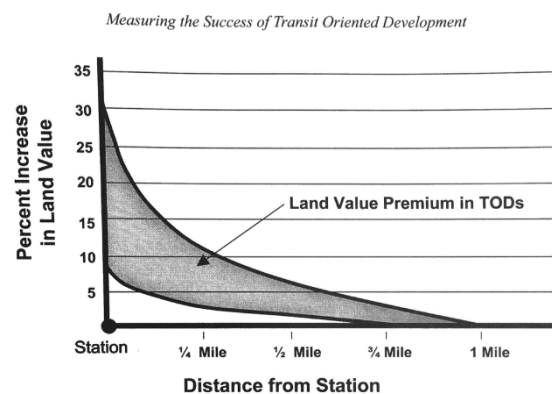


Figure 1: Land value premiums for access to transit station (Curtis, Renne & Bertolini, 2009, p.243)

of transit-accessible properties in Atlanta, Baltimore and Portland, OR, Timothy Welch and Steven Gehrke (2018) found that, while property values were negatively impacted by the recession in all these cities, access to transit helped proximate properties retain their value and recover it more quickly than those without fixed transit access.

This premium can prove supremely beneficial for some. Jurisdictions can grow their tax base through increased property tax revenues. Property owners and homeowners can realize an increased value of their asset and grow equity. In fact, not just transit access, but multimodal accessibility has been shown to have a positive correlation with apartment rents. An RCLCo nationwide study *Evaluating How Mobility*

*Impacts Apartment Rents* (2018) found that a 10% increase in MobilityScore had a positive correlation with rent to the tune of \$0.12 per square foot. Of note, in the Washington metropolitan area, apartments located in areas with Excellent Mobility saw a 17% premium compared to the MSA average. Additionally, they found that the difference in MobilityScore accounted for 28% of the variation in rent per square foot (Wyatt & Warwick, 2018).

However, the increase in housing costs that can be attributed to transit access and TODs specifically can also displace LMI households, especially renters, who can no longer afford to live around these transit nodes (Grady & LeRoy, 2006). In this way, it could be argued that there is an unforeseen or neglected social welfare cost associated with TODs because they adversely affect LMI communities disproportionately. This is particularly unfortunate given the fact that low-income households tend to value and place a higher premium on proximity to transit than higher-income households (LeRoy & Sonstelie, 1983).

It should be noted that this is not limited to existing transit stations. Land and housing premiums can begin to climb as soon as a TOD is zoned and planned for (Knaap, 1998; Curtis, Renne & Bertolini, 2009), and in some cases, even before the transit system is in place due to land speculation (Curtis, Renne & Bertolini, 2009). Due to the propensity for land and housing values to increase well before a TOD is ready for occupancy, it is imperative that jurisdictions take proactive measures to mitigate these premiums or risk displacing existing residents. While there is debate over the extent to which this premium is determined by the existing conditions of the station area, at least some studies have found that it can be particularly high in low-income areas. Dan Immergluck (2009) found a 15%-30% increase in housing prices for low-income neighborhoods located near transit stations in Atlanta, and Matthew Kahn (2007) found premiums in low-income “Walk and Ride” neighborhoods (as opposed to Park and Ride) in 14 cities across the United States. Of note, Kahn’s (2007) study found that Washington, D.C. featured some

of the most prevalent evidence of gentrification due to this transit access premium. Particularly in the case of TODs, this can lead to what is known as transit-induced gentrification, or “the phenomenon that occurs when transit proximity is capitalized into TOD housing prices, resulting in higher income households outbidding lower income households for housing in transit-proximate locations” (Dawkins & Moeckel, 2016, p.803).

To many, transit-induced displacement in itself is morally untenable and deserves remediation for this reason alone. Ethics and moral responsibility of displacement aside, this market-driven negative externality does not have a proportionate market-driven solution. Naturally, developers wish to make a profit on their projects, which is likely to be higher for luxury-style apartment buildings. Not only do rental units for LMI households yield less profit, the rent cannot even cover the cost of a building’s operating expenses in many cases. For instance, in 2001, 12% of all rental buildings with an average rent of \$400 per unit or less yielded negative operating costs (Schwartz, 2015, p.47). As a result, rental housing is usually built in upscale markets, and units for LMI families almost always require public subsidization through mechanisms like Low-Income Housing Tax Credits (Schwartz, 2015). This tends to be particularly true for renters as opposed to homeowners. Renters are more susceptible to displacement because they don’t own their place of residence, and there has been a national trend of renters becoming poorer while the stock of affordable housing has simultaneously shrunk (Schwartz, 2015).

With understanding that TOD living can be particularly beneficial for LMI households; that property values increase with proximity to transit, in some cases even before they are in place; and that TODs can exacerbate displacement-inducing premiums, it should be abundantly clear that measures need to be taken now by the public sector to protect existing low-income residents and ensure that forthcoming TODs feature mixed-income housing opportunities.

## 5. Development Pressures for TODs and Prince George's County

Prince George's County, well aware of the benefits of TODs, plans to zone all 15 of its Metro stations for this type of mixed-use development following the completion of its zoning code rewrite. The county considers its Metro stations to be among its top assets (Interviewee 1; Interviewee 3; Interviewee 6) and hopes to concentrate 50% of all new dwelling units around its eight Regional Transit Districts (RTDs) and 25% around its Local Centers (Plan Prince George's 2035, 2014, p.83). Furthermore, the county hopes that 61% of new dwelling units will be multifamily developments and only 39% will be single-family homes (Plan Prince George's 2035, 2014, p.132). Clearly, the county hopes and plans to attract dense TODs around its Metro stations. While *Plan 2035* clearly articulates the importance of promoting mixed-income communities around the Metro stations, it lacks specific funding and regulatory mechanisms to help make this a reality.

This seems to be the case despite the fact that there is at least some regional and anecdotal evidence that the county's Metro stations are likely to face transit-induced gentrification. Notably, county officials have clearly stated their desire for countywide *economic* gentrification (Interviewee 1; Interviewee 3; Interviewee 6) to deepen and diversify its tax base. Like any jurisdiction, Prince George's County hopes to attract new, wealthier residents, high-paying employers, and higher-end commercial development.

### Washington, D.C.'s TOD Market

If they get their wish, at least some of this is likely to occur near the Metro stations, especially along the Green Line if D.C.'s development trends extend into Prince George's County. A 2016 study conducted by the Capital Riverfront Business Improvement District found that roughly one quarter of all D.C.'s new apartments have been built along the Green Line to accommodate its increased desirability (Goldchain, 2017). The Green Line stations have also managed to capture 50% of the District's retail

development since 2010 (Goff, 2017). Green Line stations also saw a 50% growth in employment located near them, with high-wage sectors representing the majority of those new jobs (Goff, 2017). It should come as no surprise that the Washington, D.C. Economic Partnership found that four of the city's 10 Metro stations with the most development in the pipeline were located along the Green Line (O'Connell, 2015). All four of those Green Line stations are located along the corridor's southern branch: Navy Yard-Ballpark, Waterfront, Anacostia and Congressional Heights. These stations have nearly 40 million square feet of new development slated for completion by 2030 (O'Connell, 2015). These findings led the Washington D.C Economic Partnership to believe that 78% of all construction in D.C. between 2015 and 2030 will occur within a half-mile of a metro station (WDCEP, 2015).

Unsurprisingly, this growth has shifted the neighborhood characteristics as well. The Green Line corridor has the strongest growth among young professionals, with nearly 50% of new households under the age of 35 (RCLCO, 2016, p.), a key target for Prince George's County (Interviewee 1; Interviewee 11). Moreover, the four stations south of L'Enfant Plaza are seeing just as much of this growth as the six located north of Gallery Place (RCLCo, 2016), and are witnessing the fastest growing housing values and incomes (Goff, 2017). Income levels between those who lived along the Green Line before the housing markets began to heat up and those who are newer vary considerably, widening the wealth gap. Existing Green Line residents' annual incomes averaged \$19,500 in 1990 and grew to only \$24,800 by 2010. By comparison, in 2012, the average income of *new* Green Line residents was \$83,000 which grew 50% to \$121,600 by 2016 (Austermuhle, 2017). New condos built since 2013 fetch a 30% premium on average over the resale value of existing condos (RCLCO, 2016, p.8). These are just some of the indicators that give weight to a *Governing* magazine analysis (2014) showing the highest degree of gentrification in D.C. existing along the Green Line. While the D.C. TOD market is not analogous to Prince George's, it can at

least serve as anecdotal evidence for how much demand exists for TOD living in the region and how that demand can shift a Metro station's demographic profile.

## Prince George's County Development Market

Certainly, the Prince George's County's TOD market is measurably different in several key ways from neighboring Washington, D.C. As shown in Table 2, several key population, economic and housing indicators show where Prince George's lags behind D.C. and where it actually may have a competitive advantage.

**Table 2: D.C. vs. Prince George's County TOD Market Indicators**

| <i>Category</i>       | <i>Indicator</i>                      | <i>Washington, D.C.</i> | <i>Prince George's County</i> |
|-----------------------|---------------------------------------|-------------------------|-------------------------------|
| <i>Demographics</i>   | Population 20-40                      | 39%                     | 30%                           |
|                       | Non-White Population                  | 64%                     | 87%                           |
| <i>Economics</i>      | Per Capita Income                     | \$50,567                | \$33,974                      |
|                       | Median Household Income               | \$75,506                | \$79,184                      |
|                       | Poverty Rate                          | 19%                     | 9%                            |
|                       | Public Transit Commuters              | 36%                     | 16%                           |
| <i>Marital Status</i> | Singles                               | 70%                     | 60%                           |
| <i>Housing</i>        | Vacancy Rate                          | 10%                     | 7%                            |
|                       | Owner-Occupied                        | 39%                     | 61%                           |
|                       | Single-Family Home %                  | 36%                     | 67%                           |
|                       | Median Owner-Occupied Home Value      | \$576,100               | \$284,800                     |
|                       | Average Metro Walk Score <sup>8</sup> | 81.6                    | 49.8                          |

*Source: U.S. Census Bureau ACS 5-Year Estimates*

In terms of demographics, D.C. certainly has a larger population of those aged 20-40, who are generally more likely to use public transportation, though Prince George's has a larger percentage of non-white residents who are also more likely to use public transportation (Clark, 2017). Economic indicators are

<sup>8</sup> Data was retrieved from *Greater Greater Washington* (Johnson, 2012).



mixed as well. Lower income households are more likely to use public transportation, and while D.C. has a higher poverty rate, Prince George's County has a substantially lower per capita income indicating there could be excess demand for public transportation access in Prince George's County. Though, as we know, low-income households generally don't represent a market that for-profit developers seek when undertaking TODs. Singles are a growing percentage of the U.S. population and are also more likely to use public transportation (Reconnecting America, n.d.), which gives Washington, D.C. an edge, though Prince George's County's 60% should not be overlooked. One substantial challenge the county faces is that 61% of homes are owner-occupied, which often represents an obstacle for denser development.<sup>9</sup> Similarly challenging, Prince George's housing stock is 67% single-family homes, which demonstrates the county's tradition of suburban development and will likely present a significant barrier to denser development as well.<sup>10</sup> Last, a key indicator for a TOD's viability is its walkability and access to amenities<sup>11</sup>, which Prince George's County appears to lack when compared to D.C.'s average Metro Walk Score.

As the above analysis demonstrates, Prince George's County's housing market is very different from D.C.'s and that of the rest of the region. A consistent theme throughout all interviews was the awareness that Prince George's County had a "cooler" real estate market both before and after the recession (Interviewee 1; Interviewee 6; Interviewee 10; Interviewee 11) and was slower to recover from the housing crisis than neighboring D.C., Montgomery County and Fairfax County, and this bears out in the data as well (NCSG Existing Conditions and Trends Report, 2017). Indeed, in terms of new development, Montgomery County averaged 2,993 new residential building permits per year between

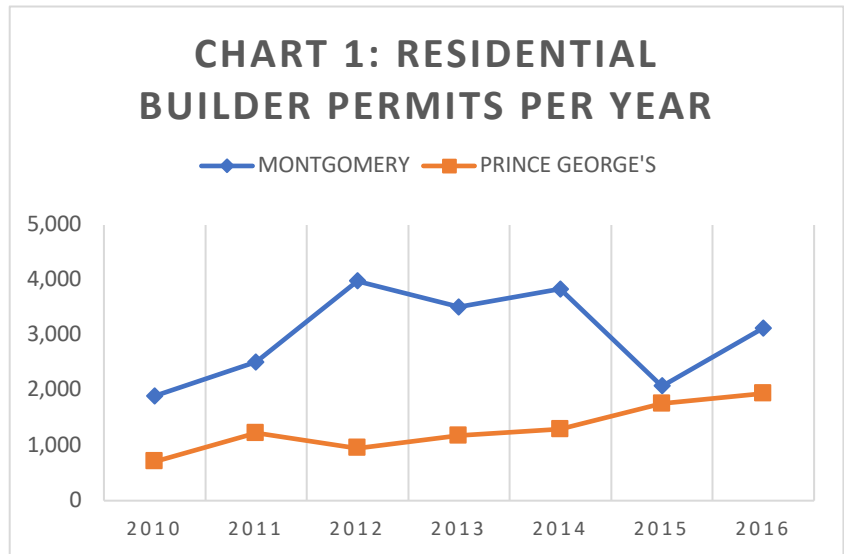
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<sup>9</sup> Stations like Suitland, Naylor Road and Prince George's Plaza are made up of roughly 50% renters which presents an opportunity for Prince George's County in this regard, while Largo's 60% owner-occupied dwelling units could prove more challenging when promoting denser development (NCSG, 2018).

<sup>10</sup> Again, Suitland and Naylor Road have the lowest percentage of single-family homes at roughly 50%, while Largo is 72% single-family homes (NCSG, 2018).

<sup>11</sup> Access to amenities is a key variable in Walk Score's methodology (Walk Score, n.d.).

2010 and 2016, whereas Prince George's only averaged 1,294 in the same period (MDP New Housing Units, 2017). As shown in Chart 1, Prince George's County's residential permits have risen only slightly on a year-by-year basis since 2010. Montgomery County recovered from



the housing crisis more quickly and issued more permits each year than Prince George's County. Similarly, the Maryland Department of Planning projects Montgomery County's dwelling units to grow by over 79,000 while it only projects Prince George's to grow by 34,000 by the year 2040 (MDP Household Projections, 2017)<sup>12</sup>. That said, Interviewee 5 discussed how five years ago, he had to beg developers to come to the county while he now has them calling him looking for opportunities to build. Additionally, over the past several years, the homes in Prince George's County appear to be seeing increased median sales prices, reduced days on the market (Lerner, 2017; Lerner, 2018) and a reduced available housing stock (Clabaugh, 2018).

The county's comparatively underperforming housing market may be a result, at least in part, of a perception among developers that the county is relatively hostile to developers for a variety of reasons. A report produced by Mosaic Urban Partners (2017) found that developers were reluctant to build in Prince George's County because they believe it is costlier, more time consuming and less profitable than neighboring jurisdictions. One developer noted that the fee and tax structure "costs you millions of dollars of fees upfront...coupled with the lowest rents and sales prices in the DC area, that becomes a barrier"

<sup>12</sup> It should be noted that these projections include vacancies.

(p.7). Citing the hostile and overly burdensome bureaucracy, another developer stated that “in the current process, you need to speak to so many officials...and if you challenge them, they say ‘take us to court.’ Well you don’t have time for that” (p.8). While opinions differ on the legitimacy of this perceived hostility, it bears out in reality nonetheless. Interviewee 6, who actively recruits and works with developers in Prince George’s County, all but dismissed the idea of affordable housing development, citing how difficult it currently is to get developers to build market-rate multifamily developments even in the county’s strongest submarkets.

While Prince George’s County’s current housing and TOD market may be lagging behind the rest of the region, it is still reasonable to assume that an improved TOD market in the county could be on the horizon. An analysis conducted by Uri Avin (2018) of development capacity for neighboring counties<sup>13</sup> shows that, based on development trends and existing urban growth boundaries, Montgomery County is likely to exhaust its total development capacity (let alone that located near a Metro station) within 20 years (p.6). Conversely, the study shows that Prince George’s County has an abundance of development capacity, even when compared to Central Maryland as a whole, let alone just Montgomery County.<sup>14</sup> Therefore, if this prediction is correct, development will likely slowly move toward Prince George’s County if only because the county possesses the region’s greatest supply of developable land.

While Prince George’s County’s housing market may not be as hot as its neighbors, it may simply be a matter of time before TODs continue down the Green Line and across the county. As a result, Metro stations are likely to be at risk of displacing or excluding LMI households from being able to harness the positive externalities of living in a TOD. Therefore, it behooves county officials to take proactive steps to mitigate the potential displacing effects of rising housing and property costs.

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13 Avin’s (2018) study looked at overall supply and demand and did not specifically evaluate their relation to TODs.

14 Avin’s (2018) study finds that, under current growth trends, Prince George’s County is not expected to run out of developable residential land until 2063 (p.6)

## 6. Phased Plan for Affordable Housing Interventions

Regardless of a particular jurisdiction's eagerness or willingness to take on the challenge of providing affordable housing for its residents, there are a litany of typical barriers that make this endeavor exceptionally difficult. This is especially true for TODs where virtually every step of the development process is more cumbersome, expensive and time-consuming when compared to projects on transit-poor greenfield sites (Interviewee 1). Prince George's County is certainly no different and presents a variety of unique barriers that make affordable housing development and preservation particularly difficult. These barriers are wide ranging, interwoven and have varying degrees of amenability to successful intervention. Chief among them is the fact that developers are often reluctant to engage with Prince George's County compared to its neighbors. It is equally challenging that there is virtually no county-level funding for affordable housing preservation and development. These barriers are made even higher because cultivating taxable, market-rate development appears to supersede the goal of creating affordable housing by county elected officials and the voting public alike, not to mention the negative perceptions associated with affordable housing (Interviewee 3; Interviewee 11).

As a result of these barriers, it is suggested that the county should employ a multi-phased approach for implementing affordable housing initiatives. Phase 1 recognizes the virtually unanimous opinion among county elected officials and relevant department directors to prioritize market-rate and commercial development to broaden the county's tax base (Interviewee 1; Interviewee 3; Interviewee 6; Interviewee 10; Interviewee 11). Thus, Phase 1 entails developing the preconditions for a more developer-friendly environment in the county and limits affordable housing initiatives to preservation and finding relatively revenue-neutral ways to capitalize the county's ailing Housing Trust Fund.

Phase 2 assumes that the County has engendered a more positive reputation among the developer community, has an improved TOD market and has created dedicated revenue sources for the Housing

Trust Fund. More specifically, it is suggested by the author that the county attain three or more of the following metrics before seriously considering Phase 2's affordable development methods:

1. 2,000 residential building permits/year averaged over three years<sup>15</sup>
2. 50% of new dwelling units are in multifamily developments<sup>16</sup>
3. 50% of cumulative countywide development is within a half mile of PID, RTD, and Local Centers Metro stations<sup>17</sup>
4. \$10 million in the County's Housing Trust Fund for a single fiscal year is derived from a dedicated revenue source<sup>18</sup>
5. County has made good on its promises to reduce or eliminate APFO around Metro stations

Phase 3 assumes a strong housing and TOD market and entails the most ambitious affordable housing interventions that would be unlikely to gain any traction if discussed today. Phase 3 assumes that the county hits all five of these metrics and would likely not happen until 2035 or 2040.

### Phase 1 – Today's Barriers and Interventions

Phase 1 considers today's realities around the perceived and real barriers to real estate development and affordable housing. However, the recommendations below are intended to be feasible measures the county could take immediately to ensure that a mix of incomes have access to Metro stations.

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<sup>15</sup> Represents a 35% increase from the current trend (MDP New Housing Units, 2017)

<sup>16</sup> Breaks the county's trend for single-family housing development and closes the gap with Plan 2035's goals

<sup>17</sup> Plan 2035's goal is for 50% of development to be located around RTDs with 25% around Local Centers

<sup>18</sup> Derived from the revenue generated by the Fairfax County's real estate taxes that were diverted into their housing trust fund for FY 2015, or 10 years after the program's inception (Fund 30330, 2018)

## Phase 1.1 – Make TODs Easier and More Profitable

Whether a developer seeks to build market-rate or affordable units, they must be able to turn a meaningful profit to justify their time, effort and investment. Including affordable units makes this task even more difficult considering the complex financial structures needed to make the project viable. Thus, to even begin discussing affordable housing development, Prince George's County must first improve its reputation among developers. Because the county has no ability to increase revenues for development projects, the two best ways to reduce the cost of housing projects and increase developer profit margins is to reduce fees and expedite the approval process (Mosaic, 2017; Housing for California, 2018). Therefore, this should be one of the county's top priorities for the immediate future.

### *Reducing the Cost of Development*

Mosaic's (2017) report cited a perception by developers that the county's development fees, particularly those levied at the project's onset, present a key barrier to engaging in development projects in the county. Prince George's County officials, however, contest this fact and asserts that their fees are no costlier than those of neighboring jurisdictions when looked at comprehensively (Interviewee 1; Interviewee 11). Nevertheless, Prince George's County has proposed some proactive measures to reduce development impact fees, especially around mixed-use zones, to help improve the county's reputation (Mosaic, 2017). However, perhaps more could be done to reduce these costs in RTDs, or in the forthcoming Transit-Oriented Base Zones featured in the zoning rewrite. For example, if a developer withdraws their application or their project is rejected, the county could consider at least a partial refund. Currently, if a developer withdraws their application, they are only entitled to a refund of their application fee *if* they've withdrawn before their first public hearing but that is still only at the discretion of the decision-making body (Clarion, 2017, p.27-3-19). Reducing these upfront costs reduces the risk for developers and allows them to invest that money in other potential projects. Upfront savings are

particularly beneficial for nonprofit developers who have limited funding avenues and generally lack deep capital reserves.

Similarly, one mechanism for cutting developer costs, especially around TODs, is to reduce or eliminate parking requirements and/or subsidize them as public sector-built pooled facilities. Currently, residential developments within one mile of a Metro station are required to provide 1.33 units of parking/dwelling unit (Code of Ordinances, 27-11-2). Parking is costly for developers at the outset, hurts their bottom line, and has the potential to reduce developable land for affordable housing. While suburban TODs certainly require more parking than those found in city centers, a reduced parking requirement is routinely cited as one of the best ways to cut developers' costs and help incentivize affordable housing (Korn, 2017; Curtis, Renne & Bertolini, 2009; Housing for California, 2018; Jeffe, 2015; Inclusionary Housing, n.d.; Shoup, 2014).

#### *Simplifying the Approval Process*

Developers also expressed frustration with the lengthy and uncertain approval process (Mosaic, 2017). For developers, time is money, whether in lost liquidity used to pay for impact fees, loan interest payments, legal retainers or otherwise. Expediting the approval process and outlining a more transparent timeline could save developers millions (Mosaic, 2017). In reviewing the standard application and comprehensive plan Review Procedures and Decision Standards of Clarion's (2017) *Consultant's Comprehensive Review Draft on Prince George's County, Maryland*, there is an astonishing imbalance between the number of specified time frames listed for applicants as opposed to those listed for applicant reviews. Applicants frequently have 14 or 30 days to perform a task, but rarely does the review process specify when the applicant will receive approval from those reviewing their application. This imbalance needs to be rectified by including more clearly stated time frames for the review process and providing for adherence to them. Additionally, developers and interviewees alike expressed frustration with the

county's "call-up" provision (Mosaic, 2017). The call-up provision allows County Councilmembers to review a development project unilaterally, even after it has been approved by the Planning Board or Zoning Hearing Examiner, for up to 120 days (Mosaic, 2017). This creates a high degree of uncertainty over a project's future and "has cost us millions of interest carry" according to one developer (Mosaic, 2017, p.8). While the current version of the proposed code restored this provision, which had been deleted in earlier versions, it would be wise to consider eliminating or at least reducing the scope of this authority. Perhaps mitigating this hurdle specifically for Transit-Oriented Base Zones or Regional Transit Districts would be a demonstration of intention and good faith from the County Council. This seems reasonable considering County Councilors are likely to be intimately involved with big-ticket development projects around the Metro stations they represent.

Similarly, it would be worth considering reducing the requirements around community involvement and approval in these areas, especially if the project already meets the existing code requirements (Housing for California, 2018) allowing for "of right" development. The requirements around public meetings, especially for the pre-application process, seems unnecessary and overly burdensome (Clarion, 2017, p.27-3-15). This requirement could actually push development away from TOD locations and toward existing "of right" areas with increased development capacity, like those found in the county's developing tier, which would be in direct contradiction to the goals of *Plan 2035*. These meetings create uncertainty around the timeline and approval and should be eliminated.

Furthermore, the public notice requirements and procedures are also overly burdensome (Clarion, 2017, p.27-3-21) and could be greatly reduced to one notification by mail (depending on the application type) with instructions to register to receive future notice by email. In addition, with local daily and weekly newspapers in decline, the requirement to make notice by newspaper publication should also be



eliminated (Clarion, 2017, p.27-3-26). Even small steps like these would reduce the burden placed on developers and could further improve the county's reputation as being developer-friendly.

### *Risk Sharing Mechanisms*

The county could also demonstrate its desire to reduce the risk involved with development projects, especially larger-scale multifamily developments, if it was willing to participate in risk-sharing mechanisms (Mosaic, 2017). These measures show developers that the county and its staff have skin in the game and can imbue confidence when developers are sensing uncertainty. Mosaic (2017) provides an example of flexible-term contract provisions such as if the developer and county agree to an entitlement goal of 200 units but only 150 end up being approved, then the developer would receive a reduction on land acquisition costs. However, Liu et al.'s (2017) literature review of risk-sharing mechanisms demonstrated that flexible-term contracts provide the least amount of project leverage for public agencies. Instead, minimum revenue guarantees would probably work best for Prince George's County TOD projects given their significant revenue volatility (Liu et al., 2017). Naturally, this is a risky maneuver for cash-strapped Prince George's County, but again, its intention is to share the risk inherent with these projects.

### *Courting Developers with Greater Capacity*

Last, it is also recommended that the county relax any preferential treatment for Prince George's-based or even regionally-based developers (Interviewee 5). Certainly, local developers are likely to be more sensitive to local needs and conditions and are more likely to be familiar with Prince George's County's current zoning code and development process. However, there are several advantages to actively courting national, publicly-traded developers to build in Prince George's County. Publicly-traded developers usually have easier and cheaper access to equity and debt financing (Housing for California, 2018). This greater access to cash combined with increased staff capacity makes it easier for them to take

on larger and more complicated projects like TODs. If they can acquire larger parcels of consolidated land, they have more to negotiate with and are more easily able to bury any losses given the likelihood of larger aggregate profit margins. Additionally, because of their nationwide purchasing power, they can construct housing for 15%-30% cheaper than private developers (Housing for California, 2018). With larger staffs, they also have greater capacity to manage the perceived challenges involved with developing in Prince George's County. While most publicly-traded developers specialize in single-family detached (SFD) homes, Toll Brothers has shown an interest in developing multifamily apartments, including the Parc Riverside in Washington, D.C. (despite its inclusionary zoning ordinance). Simplifying and fixing the current zoning code is one tremendous step the county can take towards courting these national, publicly-traded developers.

#### Phase 1.2 – Capitalizing the Housing Trust Fund

Prince George's County is the only jurisdiction in the area that does not have a robust Housing Trust Fund with a dedicated revenue source (Lung-Amam et al., 2017). Housing Trust Funds have had demonstrably positive contributions to preserving and promoting affordable housing around the country, including at TODs. In 2008, the City of Los Angeles's Affordable Housing Trust fund used \$21 million to create 225 affordable units around TODs (Government Accountability Office, 2009). As of 2015, at least 18,000 residents currently live in units either created or preserved through D.C.'s Housing Production Trust Fund (CNHED, 2015). In 2016, Denver announced a plan to raise \$150 million over the ensuing 10 years to create or preserve over 6,000 affordable units for LMI households (Denver Office of Economic Development, 2016). Prince George's County's Housing Trust Fund received its first injection of funding in March 2017 of \$5.1 million (Housing and Community Development News, 2017) and earlier this year announced an additional \$5.6 million in available funds for mixed-income development projects, specifically prioritizing TODs (Housing and Community Development News, 2018). These funds can

help preserve or produce affordable housing by providing grants or issuing loans that nonprofits or market-rate developers could use to close a financing gap or use as leverage to attract additional funding.

Without a dedicated funding source, the County's Housing Trust Fund is entirely reliant on federal grants, contributions from the Maryland Affordable Housing Trust and unpredictable year-by-year contributions from the county's budget. Most Housing Trust Funds around the country are capitalized via property taxes or development fees. Given its aversion to further burdening its homeowners or developers, the county will have to get creative to find a dedicated revenue source. Many jurisdictions use a portion of real estate transfer or conveyance taxes, recordation fees, or a sales tax to capitalize their funds (Housing Trust Fund Project, 2018). In the case of real estate transfer taxes, at least that would help to reduce a developer's upfront costs. Another unorthodox suggestion might be to excise a gambling revenue tax from the newly opened MGM National Harbor. With a dedicated revenue source, the fund could even accrue revenue through loan repayments.

Fairfax County's Penny for Affordable Housing Fund may prove a worthy example; it doesn't raise real estate taxes, but simply sets aside one cent from the real estate tax to the Preservation of Affordable Housing Fund. Between 2006 and 2017, the fund has provided \$216.8 million for affordable housing in the county, resulting in over 3,000 affordable units for ownership or rent (Fund 30330, 2018). Montgomery County partially funds its Housing Initiative Fund through a condominium conversion tax (Housing Trust Fund Project, 2018). Many cities use a portion of the revenues generated from tax-allocation districts (TADs) or tax-increment financing (TIFs) to capitalize their housing funds. While TIFs are usually meant for infrastructure investments, Maryland state legislation passed in 2013 created stronger ties between TIF districts and the state's smart growth objectives, including explicitly allowing TIF funds to be used for affordable housing (Paull, 2013; Act on Sustainable Communities – Designation

and Financing, 2013). All five Metro stations examined in this study are located in TIF districts. It should be noted that no one interviewed was aware of this legislation.

### Phase 1.3 – Prioritize Preservation and Strengthen Tenant Rights

Considering the demand for even market-rate multifamily developments is fairly weak in Prince George’s County<sup>19</sup>, the county should place an immediate emphasis on preserving existing affordable units as opposed to building new ones. As time goes on and the market around Prince George’s County Metro stations grows, existing “naturally occurring” affordable units will begin to dwindle, and existing subsidized units will begin to expire (Thaden & Perlman, n.d.). Not only will preservation efforts become more expensive, but newer, higher-income gentrifiers are often the most vocal critics of development (Allbee, Johnson, & Lubell, 2015), making it even more challenging to construct new affordable units to take their place.

#### *Funding Preservation Efforts*

Funding is of course, one of the key challenges. Aside from the slew of existing grants and financing mechanisms mentioned in Lung-Amam et al.’s (2017) report on Langley Park, the county could offer preservation tax credits for multifamily development owners who maintain affordable units. The revenues generated by the sale of these tax credits could be used to help capitalize the Housing Trust Fund as well, but as Lung-Amam et al. (2017) notes, this could result in a tax loss for the county. Alternatively, the county could offer tax abatements for multifamily developers who rehabilitate their buildings and preserve a minimum threshold of affordable units, perhaps modeled after Chicago’s Class 9 program,

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<sup>19</sup> Between 2010 and 2017, 87% of all residential building permits issued by Prince George’s County were for single-family residents. In fact, in 2013 and 2014, not a single multifamily residential building permit was issued by the county. Conversely, Montgomery County has issued 50% of its permits for single-family and 50% for multifamily in the same time frame (Office of Policy Development and Research, n.d.).

which provides tax abatements for developments in which 35% of units are affordable for those making under 80% AMI (Allbee, Johnson, & Lubell, 2015).

### *Expanding Preservation Opportunities*

One policy solution would be to expand the scope of the county's Conversion to Rental Housing Act. This legislation, passed in 2013, requires owners who wish to sell a multifamily rental complex with 20 or more units to give the Department of Housing and Community Development (DHCD) the first right of refusal (ROFR) to purchase the property (Lung-Amam et al., 2017). Currently, owners are not required to notify DHCD if they intend to keep the units as rentals for at least three years (as opposed to converting them to condominiums) or if they intend to keep at least 20% of the units as rentals for 15 years (Lung-Amam et al., 2017). Instead, this should be required of *any* multifamily unit located within a Transit-Oriented Base Zone or a Regional Transit District. The 20-unit minimum could also be reduced for developments found in these areas. If the county decides not to purchase the property or lacks the funding, a condominium conversion tax could be levied at the time of sale to help capitalize the Housing Trust Fund so these opportunities are missed less often.

Similarly, the county could provide residents with a ROFR ordinance, perhaps similar to DC's Tenant Opportunity to Purchase Act (TOPA). TOPA allows residents to purchase the property in which they live if they are able to match the offer of a third-party buyer. Alternatively, San Francisco's Assisted Housing Preservation Ordinance ensures that owners are paid a "fair return price" that guarantees a minimum return of 10 percent on their investment (Allbee, Johnson, & Lubell, 2015). Naturally, some form of subsidization and legal assistance would likely be required to assist the purchasing tenants.

Last, if the county wishes to take preservation seriously, they should increase DHCD's staff capacity. For instance, D.C. recently appointed their first Affordable Housing Preservation Officer, Ana Lopez Van Bale. A county officer's first priority could be code enforcement for existing properties (Lung-

Amam et al., 2017), followed by finding solutions to preserve the existing housing stock around the county's Metro stations, followed by finding ways to move naturally occurring affordable properties into subsidized programs (Allbee, Johnson, & Lubell, 2015).

#### Phase 1.4 – Unconventional Land Uses and Zoning Strategies

##### *Development of Air Rights*

An often-overlooked space to build affordable housing is that on top of existing publicly-owned buildings. Dr. C. Kat Grimsley suggests that counties examine the viability of “vertical adjacency” for workforce housing in her RCLCo Foundation award-winning paper, *Maximizing Public Sector Air Rights as an Affordable Housing Solution* (2018). Dr. Grimsley suggests that public facilities, including schools, police stations, and government offices, are not usually built to their allowable height limit. As a result, Dr. Grimsley has suggested that counties take advantage of this underutilized space through a transfer of development rights to build workforce housing to both provide housing for the agencies' employees and to increase the available affordable housing stock in the area. Government agencies would be expected to provide use of the air space free of charge, bring utilities to the site, and ensure that all necessary permitting is obtained (Grimsley, 2018). Using Loudoun County, VA as a case study, Grimsley demonstrates that this can be a financially viable endeavor, though the profit margins are slim (~\$50,000-\$70,000 net income /year on a 54-unit development), and it requires some degree of public subsidy and partnership with a nonprofit developer (Grimsley, 2018, p.7). Perhaps it would be wise to run a pilot program of this type of development oriented to TOD housing, and then build on this strategy as the county dedicates more revenue to affordable housing development.

### *Interim Land Uses and Zoning Ordinances*

Interim land uses and interim zoning ordinances are lesser known tools that planners could use to help preserve land for future affordable housing development. Both of these allow for a short-term use until a certain threshold is reached or to deter uses that the market may demand at the moment but that would interfere with long-term goals for the properties (Interviewee 12). A zoning ordinance that incentivizes an interim use could be zoning for big box retail or parking. Relatively speaking, big box stores are often easier to remove and redevelop and are less likely to remain in place indefinitely, whereas townhomes, for instance, are much more challenging to remove and much more likely to remain for a long period of time. That said, this could backfire unless carefully managed. In the case of income-generating parking lots, if the county wishes to up-zone the area, the property owner could hold out for a better price or to keep their passive source of income. Additionally, if any of these areas have large-scale property owners, they have a financial incentive to sell off smaller parcels of land for an interim use, making it even more challenging to remove the interim use at a later date (Interviewee 12). Nevertheless, it may be worth investigating these methods as a deferral mechanism around Metro stations not currently facing significant development pressure, such as Branch Avenue or Naylor Road. Furthermore, it may be best to test these practices in edge zones around TODs where less density is expected but could simultaneously be threatened by low-density residential development.

### *Phase 2 – Tomorrow’s Better Market and Bigger Trust Fund*

Phase 2 of this three-phase strategy for affordable housing assumes that market pressure around Prince George’s County’s TODs has begun to heat up in earnest, giving the county additional leverage with developers. Additionally, it assumes that the county has established a dedicated revenue source for the County’s Housing Trust Fund, providing it with the resources to engage in more capital-intensive affordable housing programs.

## Phase 2.1 – Retain and Acquire Public Land for Future Development<sup>20</sup>

Land banking can be an extraordinarily effective tool for TODs and affordable housing development (Smart Growth America, 2008). This is especially true for locations where housing markets are cool and supply exceeds demand (Alexander, 2008), as is the case around several Prince George’s County Metro stations. Land banking is the process of purchasing and “banking” vacant or abandoned property for land consolidation and future development. Because TODs are generally complex and large-scale undertakings and involve a high degree of risk, developers are more inclined to pursue these projects if they can do so via large-scale developments (Curtis, Renne & Bertolini, 2009; Mosaic, 2017). While zoning is an important first step in incentivizing TODs, the capital-intensive process of land acquisition and consolidation can prevent a development from getting off the ground even if pent-up demand exists (Curtis, Renne & Bertolini, 2009). As a result, it can sometimes be easier for public entities to incrementally consolidate available land around a transit node so that a developer’s capital can remain liquid until the site is ready for development (Alexander, 2008). This can be particularly beneficial to nonprofit affordable housing developers who have less access to capital.

While land banks have been around since the 1970s, they have grown increasingly popular since the post-recession housing crisis as more and more properties were foreclosed on, resulting in an excess supply of vacant property (Alexander, 2008; Jourdan, Vandt & Nadir, 2010; Smart Growth America, 2008). Michigan’s land bank enabling legislation is often cited as the premiere model for its profitability and flexibility. In Michigan, localities can recapture up to 50% of property tax revenues for the first five years after transfer of property, they are allowed to borrow money, issue tax-exempt financing, and select

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<sup>20</sup> Ideally, the county would undertake land acquisition *now* while the land is at its cheapest. However, this assumes that the county has the funds and desire to prioritize this, which does not appear to be the case currently.



properties to acquire from tax delinquency rolls (Smart Growth America, 2008). Maryland has similar enabling legislation in place.

While land banking is usually capital intensive, Prince George's County could create a land bank without spending a dime by capturing the nearly 350 acres of vacant publicly-owned property that is within a half-mile of the five stations examined in this study (Prince George's GIS Data Catalog, 2018)<sup>21</sup>. A Prince George's County land bank could offer land at a lower price or even grant it to developers who guarantee that some of the units will be available for LMI households. The land bank could even engage in joint development or profit sharing endeavors that could be used to fund the County's Housing Trust Fund. This is already being discussed internally by DHCD, which already has some experience in land banking. The Redevelopment Authority's Suitland Town Center Development Project involved incrementally acquiring 22 acres of property formerly known as "Suitland Manor" a half-mile from the Suitland Metro station. This project was extremely costly, however, with over \$48 million spent on land acquisition, resident relocation and demolition of vacant properties. As a result, there are plans to redevelop the site into a mixed-use, market-rate development (Redevelopment Authority, 2015).

#### Phase 2.2 – Preferential Incentives for Nonprofits

In this phase the county could also begin to show preferential treatment for nonprofit developers by providing them with incentives not available to market-rate developers. Currently, nonprofit developers must rely almost entirely upon federal or state funding mechanisms to fund projects in Prince George's County. While engaging in projects around transit nodes would be preferential, nonprofits usually lack the capital to undergo such time consuming and risky projects and instead are relegated to easier and cheaper projects that are less transit-efficient (Interviewee 1; Interviewee 3; Interviewee 10).

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<sup>21</sup> This land has not been examined for development viability and should be the subject of further research.

This is fairly self-explanatory—anything the county can do to make the development process more affordable, less risky, or more financially viable for nonprofits should be considered a priority especially around Metro stations. The Los Angeles Permanent Supportive Housing Ordinance is considered a strong model for emulation (Housing for California, 2018). First, that ordinance allows by-right construction of multifamily residential developments by nonprofit developers on land zoned for public facilities, if land nearby is already zoned for that use. Second, the ordinance removes density maximums, but keeps height limits and buildable area restrictions intact. And last, it removes parking minimums (Sharp, 2017). Granted, this program was developed with the intention of mitigating LA’s homelessness crisis, but it could serve as an example for Prince George’s County to build on.

#### Phase 2.3 – Linkage Fees and Voluntary Density Bonuses

Linkage fees in which the developer pays a fee toward the Housing Trust Fund in lieu of affordable units is certainly untenable given today’s weak market around most of the county’s Metro stations. However, as the market for TODs in Prince George’s County ripens, this might be a worthy interim option to consider before implementing stricter affordable housing regulations, like an inclusionary zoning ordinance. Bonus densities that allow for additional units beyond the permitted density are often cited as a mechanism to offset the reduced income from affordable units. However, Nicholas Brunick, Lauren Goldberg and Susannah Levine (2004) argue in their literature review that incentivized but voluntary affordable housing programs rarely if ever produce affordable units by market-rate developers.

Denver, however, has an innovative approach that uses a zoning overlay to combine the city’s mandatory linkage fees with scaled density bonuses that might prove appealing to market-rate developers should demand around Prince George’s Metro stations grow. For example, in the case of the River North or “RiNo” neighborhood, a developer could build a five-story residential or mixed-use building and pay a linkage fee of \$112,500 *or* include one affordable unit in the complex. However, if the developer

chooses, they could build beyond that height (in some cases up to 16 stories depending on the site) but would be required to include three to eight affordable units with no linkage fee (Meltzer, 2017). This of course, assumes pent up demand in the area, and the city risks the developer forgoing the bonus and is instead stuck with a building without affordable units and below the allowable height limit. Los Angeles has a similar model reserved exclusively for mixed-use developments (Housing for California, 2018).

### Phase 3 – Ambitious Affordability

Phase 3 includes the most ambitious strategies for affordable housing development. It assumes a robust TOD market akin to D.C., Montgomery County and Arlington County given the growing national and regional trend for transit-accessible, mixed-use living. Avin’s (2018) study on Central Maryland’s development capacity could serve as a barometer, in that Montgomery County’s developable land is predicted to run out by 2036, which could push significant TOD development toward Prince George’s County. It also assumes that the political climate has warmed to the idea of these measures and has begun to prioritize affordable housing coupled with transit access given a deeper and more diversified tax base.

#### Phase 3.1 – Inclusionary Zoning

Prince George’s County is one of the only jurisdictions in the immediate DC area that doesn’t have a zoning ordinance requiring developers to mitigate the region’s ongoing affordability crisis. There is a deep-seated feeling among nearly all those interviewed that Prince George’s County already has its “fair share” of affordable housing for the region. It is true that Prince George’s County has lower home values and rents than the rest of the region, and it continues to recover from the housing crisis more slowly than its neighboring jurisdictions (NCSG Report 1, 2017). However, this is not always the case around several of its priority TOD stations (NCSG High Value Areas Report, 2018) and, as argued in earlier in this study, it is absolutely essential that affordable housing around TODs is addressed *before* the market heats up.

Regardless, it is clear that, at this point in time, political and market dynamics prevent mandatory inclusionary zoning from being discussed as a viable option. Developers see inclusionary zoning as little more than a veiled tax on their profits (Mosaic, 2017), the County Council has already implemented and then repealed inclusionary zoning legislation (Lung-Amam et al., 2017), and inclusionary zoning and affordable housing in general has perception problems with the general public (Dawkins & Moeckel, 2016). While it has reemerged as a topic of discussion with the county's ongoing zoning rewrite, per County Council direction "an affordable housing/inclusionary zoning policy will not be part of the initial adoption of the new Zoning Ordinance. These approaches will likely be reviewed as components of the Department of Housing and Community Development's ongoing Comprehensive Housing Strategy" (Zoning Ordinance Strategy Table, 2018, p.8).

As a result of the clear undesirability of implementing an inclusionary zoning ordinance at this time, it is recommended that, at the very least, the county examine the possibility of implementing a minimal requirement that is less cumbersome than D.C.'s Inclusionary Zoning (IZ) Program, Montgomery County's Moderately Priced Dwelling Units (MPDU) Program, or Arlington County's Affordable Housing Ordinance. Put simply, D.C.'s IZ program stipulates that 8%-10% of a residential project's floor area be set aside for affordable units if the new development is 10 units or more (DC DHCD, n.d.). Montgomery County's Moderately Priced Housing law requires that between 12.5% and 15% of new units in developments of 20 units or more must be MPDUs (Montgomery County DHCA, n.d.). Arlington County requires that all site plans greater than 1.0 FAR include 5%-10% of affordable dwelling units, depending on whether the units are located on-site, nearby, or elsewhere in the county. Developers may also opt to contribute varying amounts of cash to the Affordable Housing Investment Fund in lieu of affordable units (Arlington County Housing Division, n.d.). The Arlington model may appear attractive given the many options available to the developer and the option for only 5% affordable units, but it may

provide too many loopholes that disincentivize mixed-income housing and transit-accessibility for LMI households.

Therefore, it is recommended that Prince George's County require between 5%-8% affordable units in some new developments in Phase 3. Since the county already has a high volume of relatively affordable dwelling units compared to the rest of the region, this ordinance could initially be legislatively applied solely to Priority Investment Districts (such as Largo), where the markets are already heating up, or perhaps to Regional Transit Districts. Alternatively, it could be applied to specific stations as they reach their equivalent of the countywide milestones used to demarcate transitioning into Phase 2 and Phase 3. To further restrict the scope of this ordinance, the minimum unit threshold needed to hit this 5%-8% affordable unit requirement could be scaled based on some percentage of the maximum allowable units of the relevant base zone. By severely limiting the breadth of this inclusionary ordinance, it could prove to be less of a barrier for developers while also keeping in line with Mosaic's (2017) recommendation for Prince George's County to "become known as THE development-friendly place to build" (p.11).

#### Phase 3.2 – Accessory Dwelling Units

Allowing for accessory dwelling unit development is a straightforward and relatively simple mechanism that counties can use to increase the volume of their affordable housing stock, particularly in edge zones where density is lower. A recent study by Jonathan Copping (2017) of R Street entitled *Accessory Dwelling Units: A Flexible, Free-Market Housing Solution* found that accessory dwelling units can be an exceptional booster for affordable housing stock, both for renters and homeowners. They are small and inexpensive to build and maintain, which keeps the rental costs low. They also increase property values and provide a revenue source for the homeowner. This could be an excellent way to preserve existing affordable housing by helping to keep LMI households in their current homes if market pressures would otherwise result in displacement. Moreover, this could feasibly be done with no subsidization or

cost to the county. Coppage (2017) cites the accessory dwelling unit market in Atlanta, in which rents for these units range from \$950-\$1,400 while the actual cost to build is only \$550-\$715 per month (p.3), meaning the project could be financed entirely through a home equity loan.

This initiative could certainly be part of Phase 1 given its revenue-neutral impact on the county's budget (though it could *increase* property tax revenues). However, this is placed in Phase 3 because, unfortunately, at least the first draft of the zoning rewrite did not allow for accessory dwelling unit development (Bolin & Loh, 2017), and those that I interviewed were pessimistic that it would be in the final code citing general resident opposition.

### Phase 3.3 – Partnership with WMATA

Naturally, WMATA owns a significant amount of property directly adjacent to the five Metro stations in this study, some of which could be utilized for TOD affordable housing. Through its Joint Development Program, WMATA has sold, leased or engaged in profit-sharing ventures with developers over 30 times since 1975. This includes its most recent plans to engage in a joint development project adjacent to College Park, which promises to deliver a mixed-use development with over 440 market-rate multifamily units (WMATA Press Release, 2018). In 2002, WMATA leased 22 acres next to the Prince George's Plaza Metro stop to build the Mosaic at Metro apartment building and Metropolitan Shops retail center. However, these are all market-rate.

Prince George's County could attempt to enter into a partnership with WMATA, especially with regard to land banking and land consolidation. Those interviewed were relatively dismissive of this idea, however, believing that WMATA's two primary goals for their property are to increase ridership and extract as much value as possible. Since WMATA lacks a dedicated funding source, it makes sense that it would prefer to engage in market-rate joint development projects in which they can maximize their value capture for the ongoing benefits of their investment in the Metro system. However, if they truly do

prioritize increasing ridership, they should be well aware that LMI households are more likely to use public transit and are less likely to own a personal vehicle (Soursourian, 2010).

## 6. Station Profiles and Recommendations

With this phased plan for affordable housing interventions around Prince George’s County Metro stations in mind, each of the five metro stations in this study were examined to determine the applicability of the general interventions just presented. The candidate interventions are the subheading structure for each station area discussion. Generally speaking, all Phase 1 recommendations should be examined by county staff for immediate implementation. The county should prioritize reducing costs and creating a transparent and expedited approval process for developers, paying particular attention to the stations with the most immediate growth potential to boost the county’s reputation as a developer-friendly jurisdiction. The county should contemporaneously consider relatively revenue-neutral mechanisms for funding the County’s Housing Trust Fund. Land banking and air rights development methods are not addressed in this section as they require more sophisticated analysis than can be addressed within the scope of this study. In addition, preferential treatment for nonprofit developers is not discussed on a station-by-station basis but should instead be implemented when the county reaches its Phase 2 goals.

The data cited in this section is derived primarily from the National Center for Smart Growth’s draft *Analysis of Sub-County Areas with Potential for Growth* (2018). The analysis included data from *any* census tract that intersected with the half-mile buffer zone surrounding each station. Thus, the NCSG data cited in these profiles include areas far larger than the typical half-mile buffer study areas around transit nodes, which admittedly limits how finely tuned some of these recommendations can be implemented.<sup>22</sup> The stations are listed in order of those perceived to be facing the most to the least immediate growth and development pressure.

These profiles also address ways that the county can help achieve its unmet housing needs for LMI households. At each station, there is an unmet need for affordable ownership opportunities for those

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<sup>22</sup> Maps of the NSCG study areas can be found in Appendix 1.



making less than 100% AMI. In the case of rental opportunities, each station exhibited a surplus of affordable rental unit opportunities for those making less than 30% AMI and those making over 80% AMI. There were deficits found for those making between 30%-80% AMI, with the greatest squeeze on those making 50%-80% AMI (NCSG, 2018). While a surplus of affordable rental opportunities currently exists for those in the lowest income bracket, they are still the most vulnerable population, especially as tenant and place-based subsidies expire. It should be a county priority to preserve these units before they disappear and need to be constructed retroactively. This is consistent with the overall findings for the county, which stresses the need to provide affordable ownership opportunities for those making below the area median income and providing affordable rental opportunities for those making more than extremely low-income households and those making “workforce” wages of over 80% AMI.

## 6.1 Largo Town Center

### Area Overview

Largo Town Center is expected to see some of the most significant growth in the entire county over the coming decades, leading to its designation as a Priority Investment District by *Plan 2035* (2014). It is also a Regional Transit District and will likely be zoned as Regional Transit District-High Intensity (RTOD-H). These classifications and desire for density are due in no small part to the forthcoming Regional Medical Center and an effort to re-concentrate government offices in the area. Largo’s population has grown 238% since 1980, while the county has grown only 35% in the same time period.

Largo currently has the highest rents and highest degree of housing burden (60.4%) of all five station areas. Living around the Largo Town Center station is already prohibitively expensive for many county residents. For census tracts overlapping the Metro station's half-mile buffer, 33% of homes are above the Prince George's County median value, and 75% of rental units are above the median gross rent.

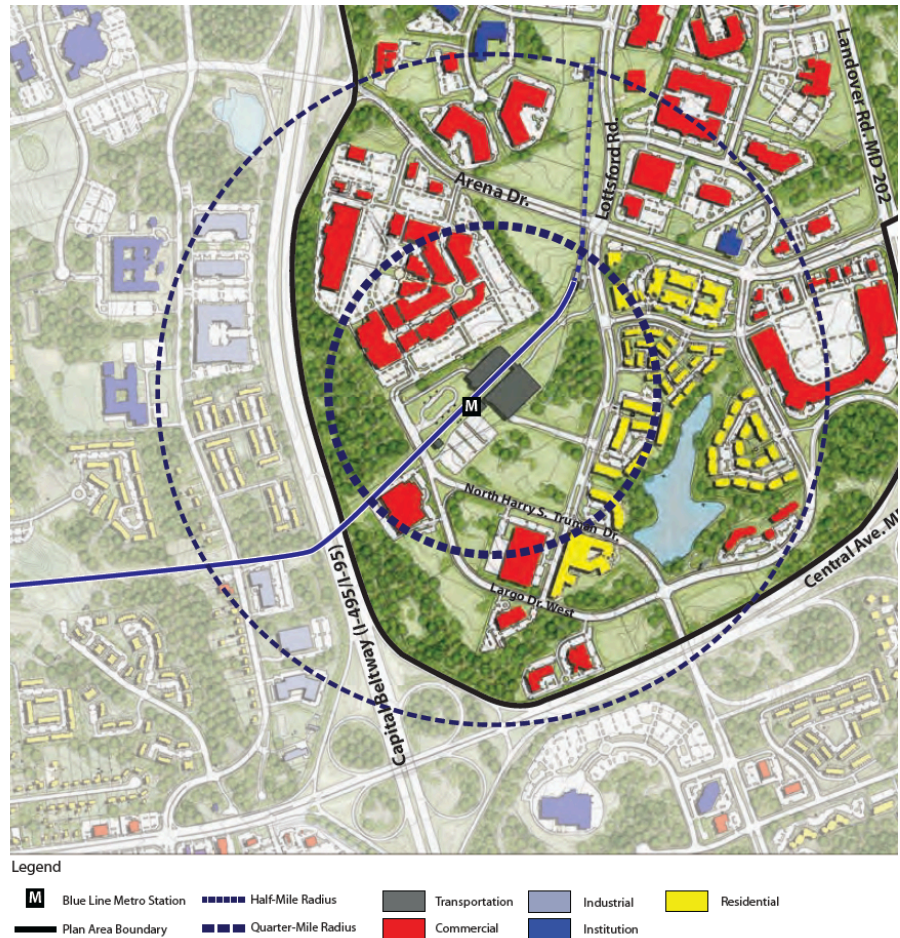


Figure 2: Largo Station Existing Land Use (Largo Town Center Approved Sector Plan, 2013, p.14)

#### Preservation of Existing Affordable Units

Largo has the highest number of place-based subsidized units with 815 subsidized by HUD-insured FHA financing programs. It also has the highest number of subsidized units overall with an additional 771 supported by LIHTCs. Largo also already has the lowest percentage of renters (29.5%) of all five stations, making it even more important that measures are taken now to preserve existing affordable rental units as new developments are unlikely to add to the affordable rental stock. Interestingly, over 90% of Largo's housing stock features two or more bedrooms, which presents an opportunity to fold some of these units into subsidized programs for larger LMI families, perhaps upon sale through an amended Conversation to Rental Housing Act.

### Interim Land Uses and Zoning Ordinances

While there may be developable land or property worth preserving for affordable housing through the use of interim zoning or land uses found around Largo Town Center, this tactic is likely economically and politically untenable given that the area features one of the strongest high-density real estate markets in the county.

### Linkage Fees and Density Bonuses

If the market develops as strongly as the county hopes, linkage fees could be extracted from developers once the county begins to surpass the Phase 2 thresholds. However, considering the development community has expressly stated their perception that Prince George's is already more expensive to develop in than its neighbors, this measure should be considered carefully before implementation. Similarly, if Largo has not yet reached its development capacity by Phase 2, the area could serve as a test case for a voluntary density bonus.

### Inclusionary Zoning

It is entirely foreseeable that Largo could reach development capacity before the county enacts any Phase 3 affordable housing measures. That said, due to the strength of Largo's market, it might be worth discussing a modest inclusionary zoning ordinance for PIDs once the market ripens as is the case for linkage fees and density bonuses. This should not be considered now, as it is clearly not in the county's interest to impose this developer-hostile affordable housing promotion method.

### Accessory Dwelling Units

Largo has the largest concentration of single-family attached (36.8%) houses of all five stations, and the largest concentration of single-family residents combined (72.2%). Many of the single-family attached

houses are within the half-mile buffer of the Metro station, as shown in the southeast corner of Figure 2. Given the density the county hopes to see around Largo, it is not in their best interest to incentivize the continued existence of this type of housing stock, though this will invariably be met with opposition by existing single-family homeowners. That said, this presents an opportunity to allow for at least some accessory dwelling units, perhaps limited to the edge zones and to those households making below 80% AMI to help close the deficit of rental opportunities for those making above 50% AMI.

#### WMATA Partnership

WMATA owns nearly 26 acres of property around Largo Town Center (Largo Town Center Station Profile, n.d.). Given WMATA's desire to extract as much value from their property as possible, it is unlikely that they would be willing to explore preserving that property for affordable housing.

#### Summary

Large Town Center has the strongest market of all five stations in this study and, thus, is most at risk of losing the few existing affordable housing options. As a result, it should be the county's top priority to preserve existing affordable units while also considering as a testing ground for some of the more aggressive affordable housing development strategies when the county reaches Phase 2 thresholds. The station's strong market, which will likely continue to grow, means that this is the county's best opportunity to take advantage of its leverage over developers since they are likely eager to build here.

## 6.2 Prince George's Plaza

### Area Overview

While Prince George's Plaza has not grown as quickly as Largo, it has still seen a 128% increase in population since 1980. This growth is largely attributable to an influx of Hispanic and immigrant households (NCSG, 2018; Interviewee 3). The station is anchored by the Mall at Prince George's Plaza. While the area is nearly 50% single-family detached houses, it does feature a significant number of multifamily units, including the most multifamily apartments of the five study areas. The greatest density is concentrated around the Mall at Prince

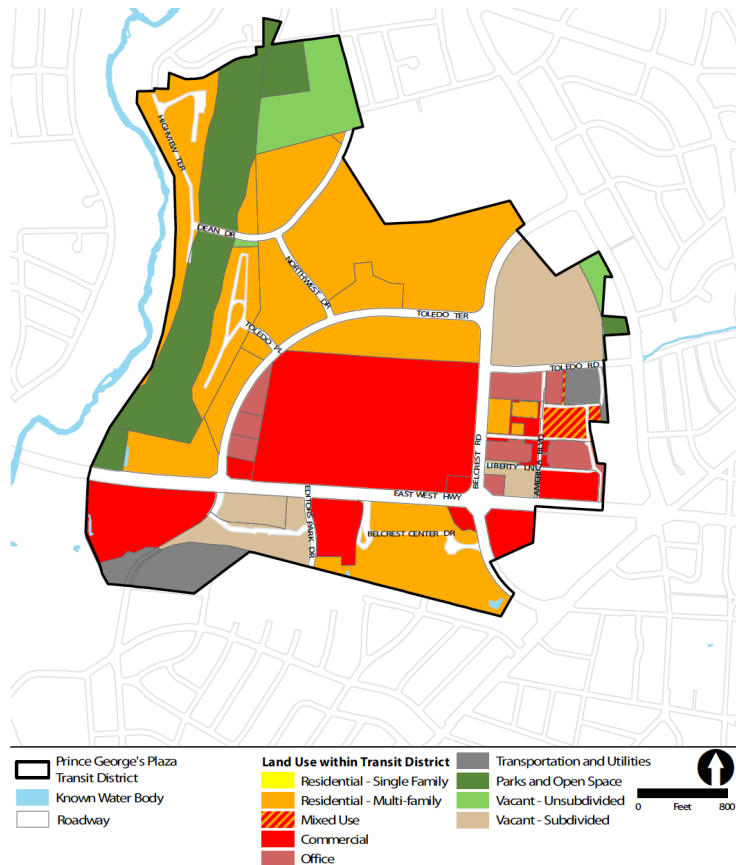


Figure 3: Prince George's Plaza Existing Land Use (Prince George's Plaza Approved Transit District Development Plan, 2016, p.31)

George's. The county assessed Regional Transit Districts for their capacity and potential to support future growth and development and found that Prince George's Plaza scored the highest (Prince George's Plaza Approved Transit District Development Plan, 2016). NCSG's (2018) analysis of Prince George's Plaza determined that it exhibits the greatest shortage of affordable owner-occupant units for those earning less than the area median income and has the largest shortage of affordable rental units for those earning 50%-80% of the area median income.

### Preservation of Existing Affordable Units

Prince George's Plaza has a mere 265 place-based subsidized units, over 60% of which are project-based Section 8 developments. However, there is still has an abundance of rental units that are affordable for households making less than 30% AMI. Therefore, this is a clear example of an area that has a surplus of naturally occurring<sup>23</sup> affordable units for the county's poorest residents but that are in imminent threat of evaporating. It should be a top county priority to focus its preservation efforts around Prince George's Plaza.

Two of Prince George's Plaza's newest buildings are large market-rate apartment towers located directly to the east of the Mall at Prince George's, housing predominantly UMD students. The area also features older garden-style apartment buildings and multifamily complexes north of the mall found along Toledo Terrace. Rents in these building are more affordable, but have seen a recent increase in rental costs, and property owners have expressed interest in selling or redeveloping their property into market-rate, higher end apartment buildings (Interviewee 3). Several of the buildings farther north (outside the half-mile buffer) are already undergoing redevelopment (Interviewee 3). Preserving at least some of these units for households making between 50%-80% should be a top priority for the county and could possibly serve as a pilot program for the proposed preservation tax credit system (Lung-Amam et al., 2017).

### Interim Land Uses and Zoning Ordinances

One interpretation of Prince George's Plaza could be that it already has an abundance of interim land uses by way of parking lots and the mall itself, given the nationwide decline of shopping malls (Isidore, 2017). However, with a 93.6% occupancy rate, the Mall at Prince George's is unlikely to go anywhere anytime

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<sup>23</sup> "Naturally occurring" affordable housing refers to unsubsidized but affordable housing opportunities. Further analysis is needed to determine to what extent these are "naturally occurring" due to age, crime, or other undesirable housing traits.

soon (PREIT, n.d.), especially as the Metro station area continues to develop. If automated vehicles begin impact POV ownership rates, perhaps some of the parking lots could be utilized for affordable housing. Because this change is highly speculative, interim zoning ordinances are most likely not a valuable tool for this area.

#### Linkage Fees and Density Bonuses

Even though Prince George's Plaza has a great deal of potential, its development should not be inhibited by linkage fees or density bonuses at this time. Perhaps these techniques could be used in several decades if the mall is no longer financially viable and the space becomes available for redevelopment, or if a developer seeks to build dwelling units on top of the mall itself, but at this point in time, the area's market does not seem to justify this method for developing affordable housing.

#### Inclusionary Zoning

Similarly, the market is nowhere near strong enough to justify an inclusionary zoning ordinance around Prince George's Plaza at the moment. The apartments north of Toledo Terrace are likely to be redeveloped in the next few years, leaving little developable land within a half-mile of the Metro station (Interviewee 3). Inclusionary zoning would only make sense if there was additional developable land on the mall's property or by up-zoning the area south of the station, presently the site of most of the area's single-family detached residences.

#### Accessory Dwelling Units

Nearly 50% of Prince George's Plaza dwelling units are single-family detached, which presents a significant opportunity to build accessory units to increase the volume of affordable units within walking distance of the Metro station. Many are located just south of the Metro station, less than a half-mile from



the station but outside the current Prince George's Plaza Transit District (Figure 3). However, if the county hopes to significantly densify this neighborhood, such an allowance would stand in stark contrast to its goals. Furthermore, this area's senior citizen homeowners have already expressed frustration with their immigrant neighbors who supposedly house multiple families in one house (Interviewee 3). While this is a feasible mechanism to develop affordable housing for the area, it would likely face significant push back.

#### WMATA Partnership

WMATA owns 72 acres of property within a half-mile of the Metro station (Prince George's Plaza Station Profile, n.d.), however at least 22 acres has already been developed into the market-rate Mosaic at Metro apartments and neighboring retail. If the remainder of this land is developable, it would certainly be worth approaching WMATA for a partnership, though they would still be unlikely to reserve their property for affordable housing considering this is likely some of their most valuable property in Prince George's County.

#### Summary

While Prince George's Plaza may see less immediate development when compared to Largo, it still has a tremendous amount of potential and, thus, is likely to price out LMI households. The area currently has a surplus of rental opportunities for those making below 30% AMI, but that is likely to change and must be proactively protected. A preservation tax credit or a capitalized Housing Trust Fund could help rehabilitate some of the older multifamily units into those affordable for the 50%-80% AMI bracket who currently feel the housing squeeze the most. Aggressive affordable housing measures should be avoided for the time being and may be challenging in the future given the lack of vacant land. They are likely more valuable for improving the county's reputation as a developer-friendly place to build (Mosaic, 2017).



## 6.3 Branch Avenue

### Area Overview



Figure 4: Branch Avenue Station Existing Land Use (Southern Green Line Station Area Plan, 2013, p.60)

Branch Avenue's population has been very stable, only growing by 556 residents between 1980 and 2015 (NCSG, 2018). Branch Avenue saw a tremendous amount of commercial development immediately following the station's opening in 2001 (Southern Green Line Station Area Plan, 2013). However, the area currently has a large amount of vacant commercial space because earlier zoning forced the inclusion of retail space before the area's residential and office occupancy rates could justify its existence (Southern Green Line Station Area Plan, 2013). However, the county is optimistic about the area's potential due in no small part to the anticipated growth at Joint Base Andrews, Southern Maryland Hospital, and the planned transit line along Maryland Route 5 (NCSG, 2018). Of all the county's southern Green Line

stations, the county believes Branch Avenue has the highest potential for new development and growth (Southern Green Line Station Area Plan, 2013).

Of the five study areas, Branch Avenue has perhaps the greatest diversity of housing types and includes the highest amount of two- to nine-unit multifamily buildings. However, as with all the study areas, it has a shortage of rental units affordable to those earning 30%-80% AMI and a shortage of affordable owner-occupant units for those earning less than 100% AMI.

#### Preservation of Existing Affordable Units

Branch Avenue has the highest number of tenant-based subsidized units of the five stations, with 1,264 units financed by LIHTCs (NCSG, 2018). Further analysis is needed to determine when these LIHTC units expire, but Branch Avenue does not appear to be in imminent threat of losing these units. This, in combination with the area's relatively lukewarm market, suggests that the county's preservation resources and capacity should be targeted elsewhere.

#### Interim Land Uses and Zoning Ordinances

Branch Avenue is an example of where an interim land use can backfire. There is an abundance of developable land immediately adjacent to Branch Avenue that is currently used as commuter parking lots. These could be condensed into a single parking structure (a possible TOD incentive that the county could provide). However, the owners are well aware of the station area's potential and the county's desire to focus development around Branch Avenue. As a consequence, they are holding onto ownership until they feel they can get a better price for the property, which will likely result in the land acquisition cost being prohibitively high for affordable housing development (Interviewee 3). That said, there are large contiguous plots of undeveloped land directly northeast of the station that could potentially benefit from

interim zoning until the market heats up. Rather than zoning for an interim use, like big box stores, it is recommended that this area should be zoned for high-density with height minimums, so that the county's long-term density goals can be achieved. It would seem that this land is too valuable to allow for potentially permanent low-density development. Interim zoning could also stave off some development until Phase 2 or Phase 3 affordable housing mechanisms could be implemented.

#### Linkage Fees and Density Bonuses

Given how much of Branch Avenue's half-mile walkshed is undeveloped and considering how little high-density development currently exists around the station, linkage fees and density bonuses cannot be justified at this time. However, if the land is zoned for high-density, potentially staving off development until Phase 2-worthy pent-up demand justifies large-scale projects, linkage fees or density bonuses could be enacted here to help capitalize the Housing Trust Fund and develop affordable units.

#### Inclusionary Zoning

Inclusionary zoning can only be effective when demand significantly outpaces supply, which is not the case for Branch Avenue at this time. Until there are high-density proposals for the undeveloped property and the vacant retail space begins to reach capacity, a mandatory affordable housing ordinance would only deter development.

#### Accessory Dwelling Units

Branch Avenue has the second highest percentage of single-family units among the five study areas when combining attached and detached units (53.6%). Those within the station's half-mile buffer are largely concentrated in the southern region (Figure 4). As ample developable space already exists around the station, it seems unlikely that there will be a serious demand to up-zone this residential area until at least

2030. Consequently, this would be a good opportunity to build additional unsubsidized, naturally occurring affordable units by way of accessory dwelling for the missing 30%-80% AMI rental market.

#### WMATA Partnership

WMATA has already examined its 30 acres of property here for a joint development project that likely does not involve affordable housing (Southern Green Line Station Area Plan, 2013). It is unlikely they would be interested in reserving a portion for future affordable housing.

#### Summary

Branch Avenue has substantial growth potential and intriguingly, offers a significant portion of land that is ripe for high-density development when the market is appropriate. The area also features a substantial portion of tenant-based housing options, particularly for households earning less than 30% AMI. Unfortunately, given the present lack of demand for development in the area, the county appears to have little leverage to help close the gap for the missing 30%-80% AMI rental market. Its best option at this point is to stave off development as much as possible without furthering the county's reputation for hostility toward development. While this is suggested for Phase 3, the current abundance of single-family houses and the lack of immediate development pressure indicates that allowing accessory dwelling unit construction south of the station could be an immediate option for building affordable housing stock.

## 6.4 Suitland

### Area Overview

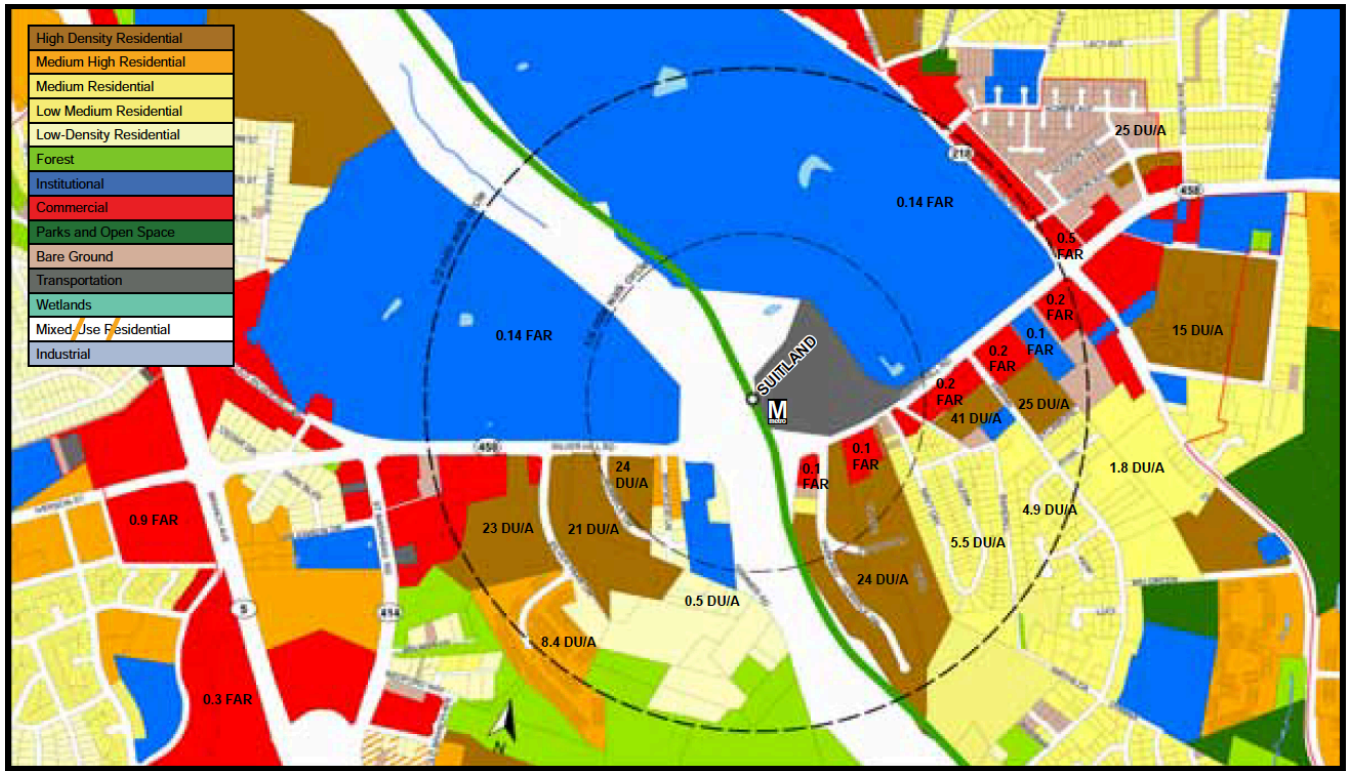


Figure 5: Suitland Station Existing Land Use (Southern Green Line Station Area Plan, 2013, p.94)

As is the case with Branch Avenue, the population around Suitland has been largely stable since 1980 (NCSG, 2018). The station is currently anchored by the Suitland Federal Center which employs over 9,000 government employees and contractors. It is the county's hope that the Redevelopment Authority's Suitland Town Center project completely revitalizes the area and stimulates future growth. The development is located at the Bare Ground area just outside the northeast border of the station's half-mile buffer (Figure 5). The award-winning one-million-square-foot mixed-use development will feature nearly 900 new apartments, townhomes, and several single-family detached units (Clabaugh, 2017). The entire development will be market-rate with most townhomes selling for roughly \$400K (Interviewee 9). They

hope the project will catalyze additional commercial redevelopment along Suitland and Silver Hill roads. There is also a significant amount of developable land owned by the federal government that they intend to use to for office space (Interviewee 9).

Of the five study areas, Suitland and Naylor Road contain the highest share of affordable ownership units for those earning less than 100% AMI (NCSG, 2018), though that will likely change in Suitland once property values increase due to their proximity to the Suitland Town Center development. Suitland and Naylor Road also have the highest share of affordable rental units for those making below 80% AMI. Suitland also contains the highest percentage of 10- to 19-unit multifamily buildings (30.3%), and the highest percent of multifamily units overall at 55.1% (NCSG, 2018).

#### Preservation of Existing Affordable Units

Suitland is second only to Branch Avenue when it comes to the number of LIHTC units available at 873 units. There are an additional 313 units subsidized by other means. The households perhaps most at risk of displacement are the single-family detached homes immediately adjacent to the Suitland Town Center project. While residents have largely been overwhelmingly in favor of the project, it is not inconceivable to imagine that property values and rental costs for those homes will go up. This is especially true if Suitland sustains high occupancy rates for its higher-end retail and is able to successfully finance its performing arts center (Interviewee 9). While these homes might not be in imminent threat of displacement, county staff should monitor the cost-of-living among those homes and enact age-in-place or relocation assistance interventions where appropriate.

### Interim Land Uses and Zoning Ordinances

These are likely not worth considering for Suitland. Most of the land around the Suitland station that the county hopes to see redeveloped already exists as a somewhat interim use, i.e., chain restaurants and low-end retail that could feasibly be pushed out as the retail market of Suitland develops.

### Linkage Fees and Density Bonuses

Considering the vast majority of development likely to occur around Suitland in the coming years will be either office space on federal government property or residential development on Redevelopment Authority property, linkage fees and density bonuses would seem to be irrelevant. This could change, however, if these properties grow into joint development projects or the land is sold to developers, in which case affordable housing caveats could be included.

### Inclusionary Zoning

Similarly, considering most residential development in the area will likely be undertaken by the Redevelopment Authority, inclusionary zoning seems like an arbitrary ordinance for Suitland. This technique could become more effective if the single-family residential area is up-zoned or additional property is made available for residential development. In the meantime, the county should simply impose the development of affordable units on publicly-owned property for the missing 30%-80% rental market.

### Accessory Dwelling Units

Suitland has the lowest percentage of single-family households of any of the study areas, though they still currently represent 44.8% of the housing stock. Considering the Suitland Town Center development project is designed to reduce density to be congruous with adjacent single-family detached homes, it would seem that the county does not intend to further densify that neighborhood anytime soon. The proximity of



the Suitland Elementary School is likely a part of this calculus. As a result, these homes may actually present the best opportunity to provide additional naturally occurring affordable rentable housing stock as the single-family units are likely to stay indefinitely. The best opportunity for accessory units, therefore, is in the Low-Medium Residential area southeast of the half-mile buffer (Figure 5).

#### WMATA Partnership

WMATA owns 16 acres of property adjacent to the Suitland station but it is unclear if this property is developable (Suitland Station Profile, n.d.). WMATA is also unlikely to reserve land for affordable housing if the area undergoes the renaissance the county is hoping for. There seem to be better options for producing affordable housing in the area.

#### Summary

Suitland presents an interesting challenge for affordability. First and foremost, the county is actually performing in the role of developer for the Suitland Town Center project, and is intentionally only developing market-rate units. Second, there also appears to be a lack of additional developable residential property since most of the land that is not currently under development is commercial and is likely to stay that way, or the property is owned by the federal government and slated for additional office space (Interviewee 9). Third, the effects of the Suitland Town Center are somewhat unpredictable as an undertaking of this magnitude is unprecedented for the county. Consequently, the county's best strategies for affordable housing in this area appear to be monitoring the extant single-family homes for signs of cost-driven displacement and allowing for accessory dwelling unit construction.



## 6.5 Naylor Road

### Area Overview

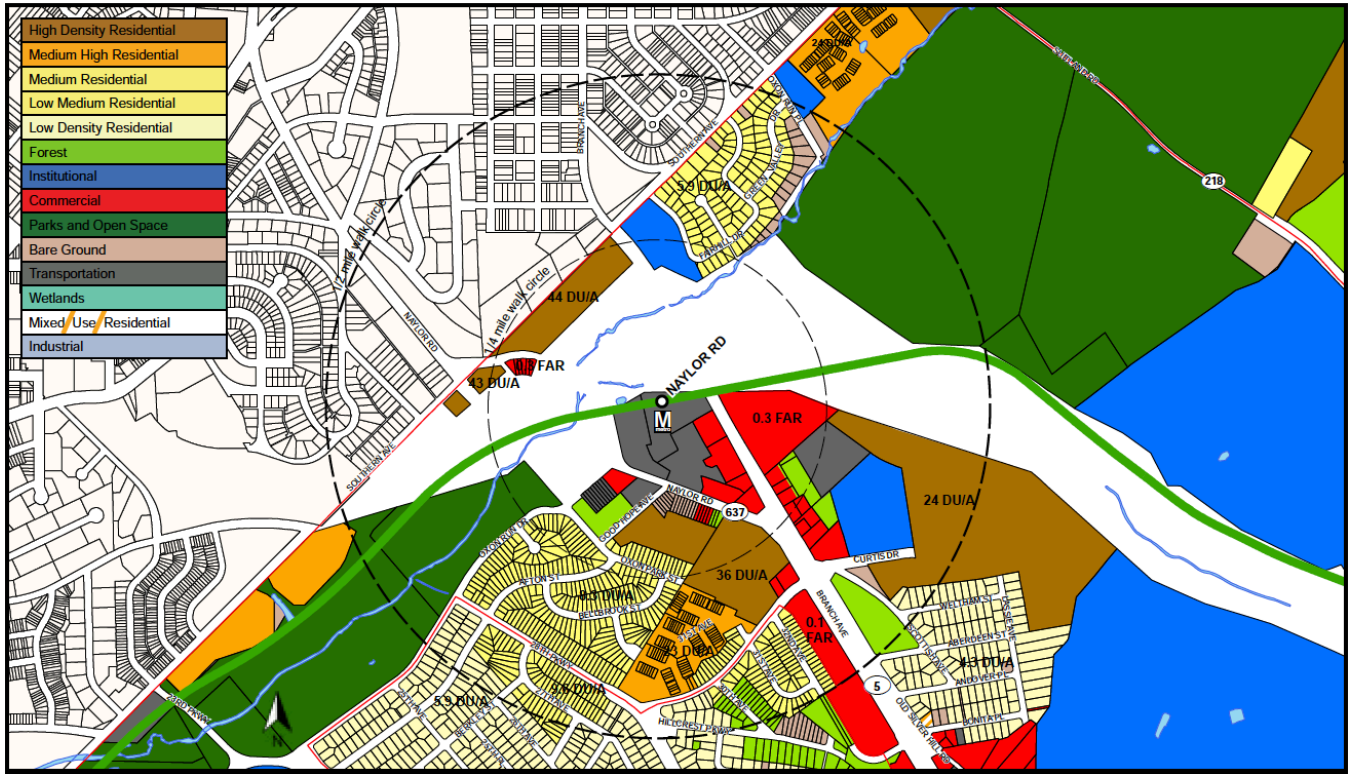


Figure 6: Naylor Road Station Existing Land Use (Southern Green Line Station Area Plan, 2013, p.124)

Naylor Road is the only area in the study that experienced a population decline since 1980 (NCSG, 2018). It also has the lowest median household income of all five study areas and is second only to Suitland in terms of the percentage of renters at 48.1% (NCSG, 2018). Naylor Road is perhaps the most residential of the five study areas and its small areas of commercial use are geared toward highway drivers (Southern Green Line Station Area Plan, 2013). Naylor Road also features the widest variety of housing types evidenced by the fact at least one of the examined stations has a higher percentage of every housing type. Despite the fact that Naylor Road features the lowest median rents, it also has the highest percentage of households experiencing extreme housing cost burden, likely due to their relatively low incomes (NCSG, 2018). This is made more troubling by the fact that several substandard apartment buildings, including Carriage Hill and Top of the Hill, have increased rents in recent years (Interviewee 3).

Naylor Road is the only Metro station examined that is not a Regional Transit District but is instead a Local Center. The county still anticipates increased investment and densification, but less so than the other RTDs (Plan 2035, 2014). The county hopes to see a major new office complex project redevelop the area's old shopping center (NCSG, 2018).

#### Preservation of Existing Affordable Units

Naylor Road has the second fewest subsidized dwelling units at 365, only surpassing Prince George's Plaza (NCSG, 2018). Naylor Road appears to be facing the least development pressure, at least in the immediate future, given the comparative lack of catalytic projects in the pipeline. Naylor Road is plagued with several multifamily apartments complexes owned by a variety of absent landlords who don't keep their units up to code (Interviewee 3). Given these facts, Naylor Road is the type of station that could benefit from an Affordability Officer who could help with code enforcement and monitor property prices and sales to help rehabilitate and preserve the existing naturally occurring affordable apartments and homes.

#### Interim Land Uses and Zoning Ordinances

Naylor Road has very little undeveloped land, which limits the effectiveness of an interim zoning ordinance. Perhaps the area could be zoned for above current market densities so that less-dense development could be staved off as the county's TOD market improves in the coming decades, but this phasing strategy appears to be incongruous with the county's longer-term plans for Naylor Road as a Local Center.

### Linkage Fees and Density Bonuses

Naturally, a linkage fee would serve to further deter development at Naylor Road, which is generally against the county's goals for the area. Given that the area is slated for less density as a Local Center, a density bonus would not be an implementable tool for this area to spur affordable housing development.

### Inclusionary Zoning

By the time the county hits Phase 3, inclusionary zoning could be a tool for affordable housing development at Naylor Road if it has successfully staved off development around the station until the county's TOD market has improved significantly. However, the minimum unit number for development projects would likely have to be fairly low given the relatively low density slated for Local Centers.

### Accessory Dwelling Units

Naylor Road features several neighborhoods with low-to-medium densities to the north and south of the station, (Figure 6), that may be appropriate for accessory dwelling units. This would also prove a benefit for the low-income home owners who could use supplemental income, especially if property values rise as the market ripens.

### WMATA Partnership

WMATA owns a minimal 10 acres of property around Naylor Road (Naylor Road Station Profile, n.d.), which is likely largely undevelopable (Figure 6). This may be the county's best opportunity to form a partnership with WMATA given it is likely to be the last area to face significant development pressure.

### Summary

Of the five study areas, Naylor Road is facing the least imminent threat for transit-induced displacement. Much of its housing stock is considerably more affordable than the other Metro areas examined in this

study, but the area's relatively low income still results in an unmet need for affordable ownership opportunities and rental units for many of the residents. With little to no market for development at the moment, there is also little to no value that can be captured and reoriented toward affordable housing preservation or development. It would appear to be in the county's best interest to stave off development that does not fit the area's long-term goals while also keeping an eye on rising housing prices.

## 7. Future Research and Conclusion

Several areas of study and future research could help to inform the recommendations made in this analysis. For instance, a more finely grained analysis of the household characteristics and market dynamics found exclusively within each station's half-mile buffer (as opposed to all census tracts overlapped the half-mile buffer) would greatly improve the sophistication of the recommendations. Additionally, land banking and air development rights require substantially more data collection and analysis to determine their viability. A closer examination of the expiration timeline for existing publicly subsidized housing could help develop a more finely tuned plan for affordable housing preservation around the county's Metro stations. Similarly, scrutinizing the "naturally occurring" affordable units around these stations would help determine what housing stock is worth preserving and what needs to be demolished (coupled with relocation assistance programs). A comprehensive strategy for developing a meaningful partnership with WMATA is needed to ensure that at least a portion of their property is used for affordable housing development, perhaps by using Montgomery County as a model. In addition, there is a burgeoning field of research involving public relations campaigns aimed at improving the perception of affordable housing and mixed-income communities that would likely prove beneficial.

Bearing in mind the real challenges Prince George's County faces in developing dense TODs, this study created a three-phase plan that features a variety of planning-related and policy-based implementation strategies that the county could establish in the coming decades as the county's TOD market develops. While *Plan 2035* emphasizes the importance of providing affordable housing opportunities near transit for lower income households, the county currently lacks many of market dynamics, regulatory measures, funding sources and political interest needed to translate this into reality. Although some county powerbrokers and officials may not agree that there is an imminent threat to affordable housing, especially among those who believe the county already has its "fair share" of

affordable opportunities, transit-induced gentrification can occur well before a TOD's market begins to heat up. Furthermore, while transit-oriented development is desirable for the county for many reasons, including attracting new and wealthier residents and retail, the TOD housing market in the county remains largely untested. TODs may expand the overall budget for the county, but it should not be done at the expense of those who already live there or by further reducing the limited opportunities for those most in need. Therefore, it is imperative to take proactive measures now before TODs' displacing effects prohibit Prince George's County's current and future lower income households from reaping the benefits of TOD living.

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<sup>24</sup> This report was completed for Enterprise Community Partners and is currently in its draft form. It has not yet been submitted to the county.

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## Appendix 1: NCSG Study Area Maps

Below are the maps of the study areas and census tracts used by the National Center for Smart Growth in their draft *Analysis of Sub-County Areas with Potential for Growth* (2018). Note that the Regional Medical Center map represents the Large Town Center area and that the Konterra area was not examined in this study.

